

Oil Market Review in Japan No. 07/2019

May 31, 2019, Friday Released at 14:00 every Friday

Publisher: Oil Information Center, Institute of Energy Economics, Japan

Inui Bldg. Kachidoki, 11th Floor, 13-1, Kachidoki 1-chome, Chuo-ku, Tokyo, 104-8581 Japan

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the May 9-15 period moved within a range between \$61.04 per barrel and \$62.02/bbl.

On May 16, the June contract rose for the third straight day as tensions in the Middle East grew on the Saudi-led Arab Coalition forces' bombing attack on the Houthis in Yemen in retaliation for an attack on Saudi Arabia's East-West pipeline on May 14 and the U.S. State Department's order on the previous day for nonemergency U.S. embassy officials in Baghdad to evacuate under a threat of attacks by an Iran-related organization. The key contract closed at \$62.87/bbl, up \$0.85/bbl from the previous day.

On May 17, the June contract turned down for the first time in four days on concern about the future course of U.S.-China trade negotiations while geopolitical risks involving the Middle East were growing. The key contract lost \$0.11/bbl to \$62.76/bbl.

On May 20, the June contract rebounded on growing geopolitical risks involving Iran and Saudi Arabian Energy Minister Khalid al-Falih's indication of the extension of the joint oil production cut by OPEC (Organization of the Petroleum Exporting Countries) and non-OPEC oil producing countries into the second half of this year, although the OPEC-plus Joint Monitoring Committee at its ministerial meeting in Jeddah, Saudi Arabia, shelved a conclusion on whether to extend the joint production cut. The June contract gained \$0.34/bbl to \$63.10/bbl.

On May 21, the key contract dropped slightly as concern about the future course of the world economy amid the U.S.-China trade war countered growing Middle East tensions following U.S. President Donald Trump's statement on the previous day indicating his readiness to use force against Iran. The June contract lost \$0.11/bbl to \$62.99/bbl.

On May 22, the key contract fell further with a steep loss as the EIA (Energy Information Administration) released a weekly U.S. crude oil inventory increase of 4.7 million barrels against a market-forecast decrease. The July contract, which replaced the June contract as the front-month WTI futures contract, lost \$1.71/bbl to \$61.42/bbl.

The Asian benchmark crude oil of Dubai for June delivery on the Tokyo market moved in a range between \$69.10/bbl and \$70.60/bbl in the May 9-15 week. It closed at \$71.80/bbl on May 16, at \$72.10/bbl on May 17, at \$72.70/bbl on May 20, at \$71.80/bbl on May 21 and at \$71.30/bbl on May 22.

On the foreign exchange market in the May 9-15 week, the dollar moved within a range between 109.43 and 110.01 yen. It changed hands at 109.51 yen in late trading on May 16, at 110.00 yen on May 17, at 110.17 yen on May 20, at 110.17 yen on May 21 and at 110.53 yen on May 22.

According to preliminary 10-day trade statistics released by the Ministry of Finance on May 22, the average crude oil import CIF price in the April 21-30 period stood at 48,596 yen/kl (kiloliter), up 476 yen/kl from the previous 10-day period. In dollars, the price was \$69.26/bbl, up \$0.40/bbl. The average exchange rate was 111.54 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in April stood at 48,078 yen/kl, up 2,260 yen/kl from the previous month. In dollars, the price was \$68.78/bbl, up \$3.26/bbl. The average exchange rate was 111.13 yen to the dollar.

Japan's average retail price on May 20 decreased by 0.3 yen/l from a week earlier for gasoline and by 0.2 yen/l for diesel oil while rising by 1 yen for kerosene on an 18-liter tank basis. The gasoline and diesel prices fell for the first time in 13 weeks. The kerosene price rose for the 13th straight week. As crude oil cost rose in the third week of May, Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

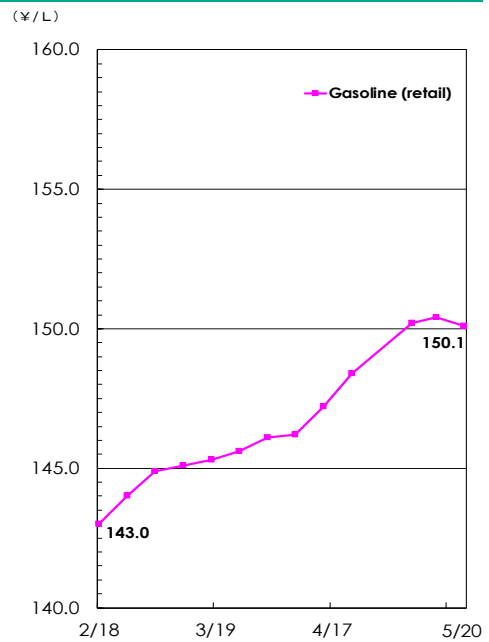
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	5/12 ~ 5/18	3,126	▼ -267	▲ —
	Topper capacity utilization rate (%)	"	79.8	▼ -6.8	▲ —
	Crude oil inventories (1,000 kl)	5/18	13,910	▼ -201	▲ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	5/20	70.97	▲ 2.26	▼ -4.8
	WTI crude oil (NYMEX) (\$/bbl)	5/20	63.10	▲ 2.06	▼ -9.1
	Crude oil import CIF price (\$/bbl)	Late Apr	69.26	▲ 0.40	▲ 3.02
	① Crude oil import CIF price (yen/kl)	"	48,596	▲ 476	▲ 4,329
	② Yen-dollar exchange rate (yen/dollar)	"	111.54	▼ -0.45	▼ -5.30
	TTS exchange rate (yen/dollar)	5/20	111.17	▼ -0.43	▲ 0.92



(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/12 ~ 5/18	858	▼ -16	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	808	▼ -75	▼ -	
	Exports	"	55	▲ 36	▲ -	
	Inventories	5/18	1,569	▼ -6	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/14 ~ 5/20	63.1	▼ -2.0	▼ -4.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/14 ~ 5/20	61.6	▲ 0.4	▼ -5.3
		(TOCOM/ Chubu)	5/20	63.9	▲ 1.4	▼ -3.7
	Retail prices [weekly trend] (published by ANRE)	5/20	150.1	▼ -0.3	▲ 1.0	

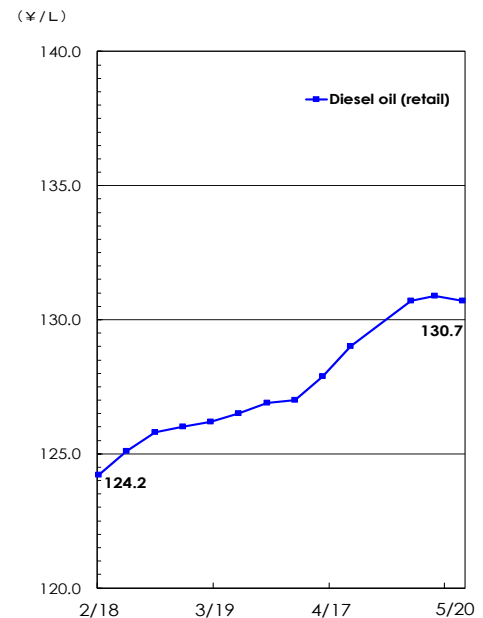
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

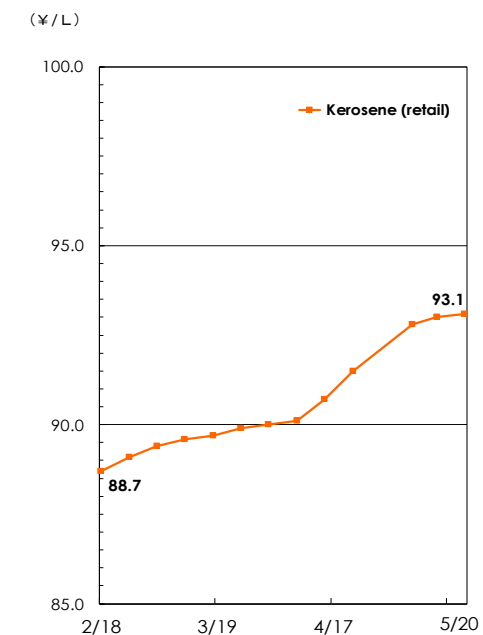
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/12 ~ 5/18	758	▲ 24	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	653	▲ 131	▲ -	
	Exports	"	147	▼ -16	▲ -	
	Inventories	5/18	1,479	▼ -42	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/14 ~ 5/20	66.7	▼ -1.6	▼ -1.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/14 ~ 5/20	67.8	▼ -2.0	▲ 0.4
		(TOCOM/ Chubu)	5/20	-	-	-
	Retail prices [weekly trend] (published by ANRE)	5/20	130.7	▼ -0.2	▲ 3.1	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	5/12 ~ 5/18	190	▼ -3	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	99	▼ -26	▼ -	
	Exports	"	24	▲ 24	▲ -	
	Inventories	5/18	1,302	▲ 67	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	5/14 ~ 5/20	66.1	▼ -1.9	▼ -1.5	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	5/14 ~ 5/20	64.2	▲ 0.3	▼ -3.3
		(TOCOM/ Chubu)	5/20	65.7	▲ 0.3	▼ -1.8
	Retail prices [weekly trend] (published by ANRE)	5/20	93.1	▲ 0.1	▲ 2.8	



Relevant Information

1 Overseas crude oil prices

On May 22, the most frequently traded crude oil futures contract on NYMEX declined further with a sharp loss as U.S. crude oil inventories in the EIA's weekly report posted a weekly increase of 4.7 million barrels against a market-forecast decrease of 600,000 barrels to a 22-month high and the U.S.-China trade war was feared to last long on moves to suspend business with Chinese telecommunications equipment giant Huawei Technologies Co. The July contract, which became the front-month WTI futures contract on the day, finished at \$61.42/bbl, down \$1.71/bbl from the previous day. The August contract dropped by \$1.71/bbl to \$61.50/bbl.

According to the EIA, the average U.S. retail price of gasoline as of May 20 fell by 1.4 cents per gallon from a week earlier to \$2.852/gal (83.7 yen/l). The average diesel oil price increased by 0.3 cents/gal from a week earlier to \$3.163/gal (92.8 yen/l). The gasoline price decreased for the second straight week, while the diesel price rose for the first time in two weeks.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity in the May 12-18 week stood at 444,000 barrels per day, up 164,000 bpd from the previous week (total capacity remained at 3,519,000 bpd). Crude oil throughput in the week decreased by 267,000 kl from the previous week to 3,126,000 kl. From a year earlier, it increased by 94,000 kl. The topper capacity utilization rate stood at 79.8%, down 6.8 points from the previous week and up 2.4 points from a year earlier.

Production increased from the previous week for diesel oil and Fuel Oil A and decreased for other petroleum products. Output was down 1.9% for gasoline, down 6.6% for jet fuel, down 1.5% for kerosene, up 3.2% for diesel oil, up 19.7% for Fuel Oil A and down 0.2% for Fuel Oil C. Fuel Oil C imports in the week totaled 45,000 kl, up 45,000 kl from the previous week. Diesel oil exports aggregated 147,000 kl, down 16,000 kl.

Shipments (excluding imports) in the week increased from the previous week for jet fuel, diesel oil and Fuel Oil C and decreased for other petroleum products. From a year earlier, shipments expanded for diesel oil and fell for others. Gasoline shipments decreased by 8.5% from the previous week to 808,000 kl for the second straight weekly drop, remaining below 1 million kl for 20 months on end. Shipments totaled 99,000 kl for jet fuel (up 9.1% from the previous week), 99,000 kl for kerosene (down

20.3%), 653,000 kl for diesel oil (up 25.1%), 166,000 kl for Fuel Oil A (down 4.1%) and 209,000 kl for Fuel Oil C (up 25.1%).

(Unit: 1,000 kl)

	This week (5/12 ~ 5/18)	Previous week (5/5 ~ 5/11)	From a week earlier
Gasoline	808	883	▼ -75 (-8%)
Jet fuel	99	91	▲ 8 (9%)
Kerosene (heating Oil)	99	125	▼ -26 (-21%)
Diesel oil	653	522	▲ 131 (25%)
Fuel oil A	166	173	▼ -7 (-4%)
Fuel Oil C	209	167	▲ 42 (25%)
Total	2,034	1,961	▲ 73 (4%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of May 18 decreased from a week earlier for gasoline, jet fuel and diesel oil and increased for other petroleum products. From a year earlier, inventories increased for Fuel Oil A and decreased for others.

Gasoline inventories totaled 1,569,000 kl, down 6,000 kl from a week earlier and down 209,000 kl from a year earlier.

Kerosene inventories totaled 1,302,000 kl, up 67,000 kl from a week earlier and down 157,000 kl from a year earlier.

Diesel oil inventories totaled 1,479,000 kl, down 42,000 kl from a week earlier and down 74,000 kl from a year earlier.

Fuel Oil A inventories totaled 833,000 kl, up 34,000 kl from a week earlier and up 46,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,976,000 kl, up 15,000 kl from a week earlier and down 31,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (5/18)	Previous week (5/11)	From a week earlier
Gasoline	1,569	1,575	▼ -6 (-0%)
Jet fuel	885	922	▼ -37 (-4%)
Kerosene (heating Oil)	1,302	1,235	▲ 67 (5%)
Diesel oil	1,479	1,521	▼ -42 (-3%)
Fuel oil A	833	799	▲ 34 (4%)
Fuel Oil C	1,976	1,961	▲ 15 (1%)
Total	8,044	8,013	▲ 31 (0.4%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

During the May 14-20 week, crude oil cost might have declined, although crude oil price hikes were partially offset by the yen's appreciation against the dollar.

Onshore cargo spot prices during the May 14-20 week fell and rose back in a 116-118 yen/l range for gasoline, decreased and leveled off in a 66-68 yen/l range for diesel oil and dropped and remained almost flat in a 66-67 yen/l range for kerosene.

Offshore barge spot prices during the week fell and rose back in a 118-119 yen/l range for gasoline, dropped and leveled off in a 68-70 yen/l range for diesel oil and fluctuated wildly and rose in a 64-66 yen/l range for kerosene.

The key futures price during the week rose sharply in a 114-117 yen/l range for gasoline, declined in a 67-69 yen/l range for diesel oil and shot up in a 63-66 yen/l range for kerosene.

For the next week, Motouri companies raised their wholesale prices by 0.5 yen/l for gasoline, kerosene and diesel oil.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

Spot petroleum products prices in the May 14-20 week decreased from the May 7-13 week's averages, excluding gasoline and kerosene futures prices.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for the May 14-20 week) that influences Motouri's wholesale prices applied to the fourth week of May (May 23-29) fell by 2.0 yen/l from the previous week for gasoline, by 1.9 yen/l for kerosene and by 1.6 yen/l for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 2.0 yen/l for gasoline, by 0.3 yen/l for kerosene and by 1.3 yen/l for diesel oil.

The key futures price rose by 0.4 yen/l for gasoline and by 0.3 yen/l for kerosene and fell by 2.0 yen/l for diesel oil.

For the fourth week of May, major Motouri companies raised their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene. Motouri based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition cost since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (5/14 ~ 5/20)	Previous week (5/7 ~ 5/13)	From a week earlier
Spot Prices	Regular	63.1	65.1	▼ -2.0
	Kerosene	66.1	68.0	▼ -1.9
	Diesel oil	66.7	68.3	▼ -1.6

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (5/14 ~ 5/20)	Previous week (5/7 ~ 5/13)	From a week earlier
Futures Price	Regular	61.6	61.2	▲ 0.4
	Kerosene	64.2	63.9	▲ 0.3
	Diesel oil	67.8	69.8	▼ -2.0

Above prices are before tax.

Reference (May 14 - May 20 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -2.0	▲ 0.4	▼ -0.8	
Kerosene	▼ -1.9	▲ 0.3	▼ -0.8	
Diesel oil	▼ -1.6	▼ -2.0	▼ -1.8	
Fuel Oil A	▼ -1.5			

(Source) Spot: RIM 4-district average lorry rack price
(Chiba, Kawasaki, Chukyo, Hanshin)

Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of May 20 decreased by 0.3 yen/l from a week earlier to 150.1 yen/l for gasoline and by 0.2 yen/l to 130.7 yen/l for diesel oil and rose by 1 yen to 1,675 yen for kerosene on an 18-liter tank basis (or by 0.1 yen/l to 93.1 yen/l). The gasoline and diesel prices fell for the first time in 13 weeks, while the kerosene price rose for the 13th straight week. Gasoline prices increased in nine of Japan's 47 prefectures, leveled off in five and decreased in thirty-three. The lowest gasoline price among the prefectures was 145.6 yen/l in Tokushima Prefecture (down 0.2 yen/l from a week earlier). The second lowest was 146.1 yen/l in Saitama (down 0.4 yen/l). The highest price was 161.3 yen/l in Nagasaki (up 2.1 yen/l). Logging the sharpest price rise of 2.1 yen/l was Nagasaki (161.3 yen/l). Gasoline prices leveled off in Okinawa and four other prefectures. Posting the largest price decline of 2.4 yen/l was Yamanashi (151.8 yen/l).

As crude oil cost fell last week, major Motouri companies cut their wholesale prices by 1.5 yen/l for gasoline, diesel oil and kerosene for this week.

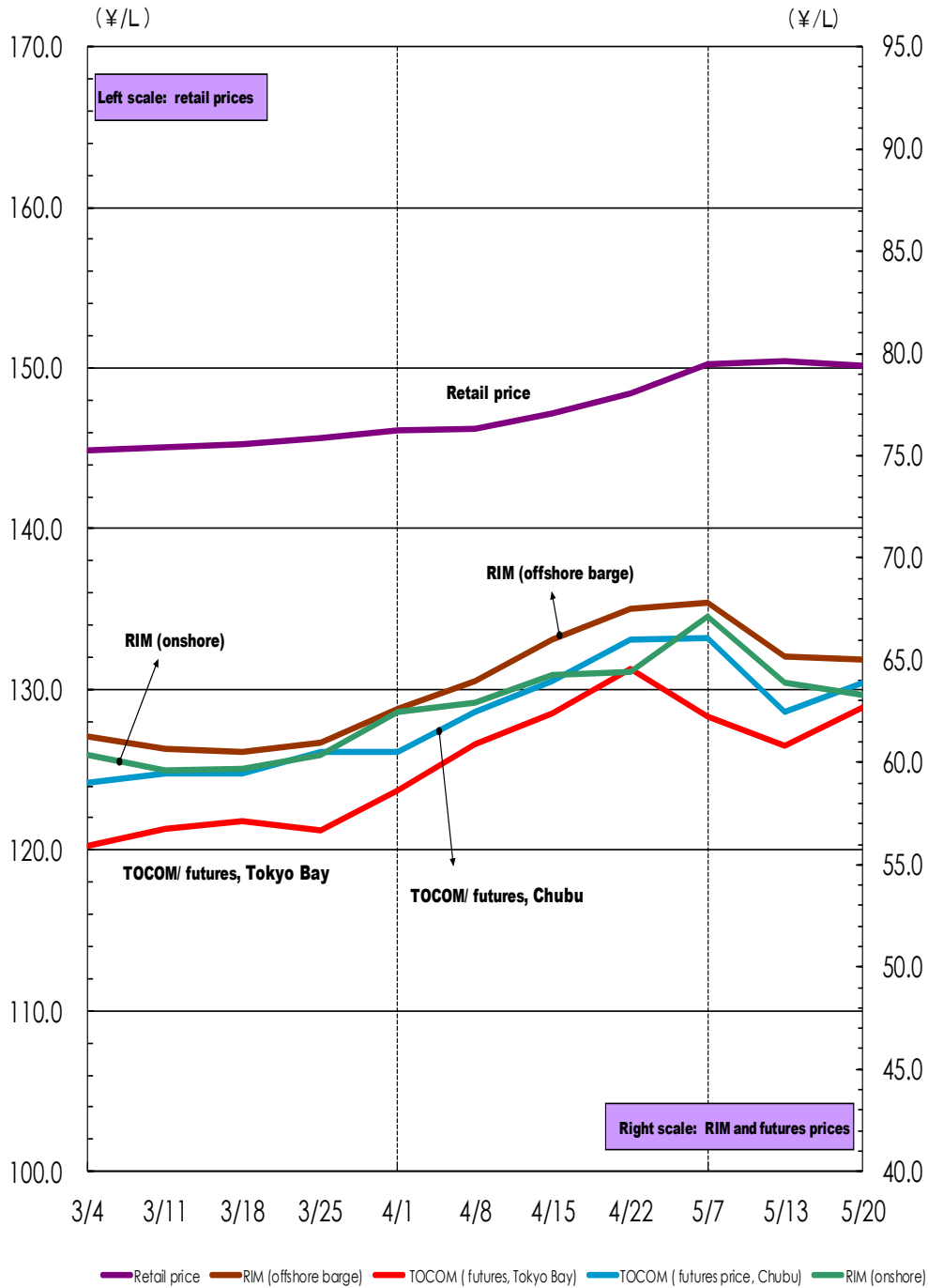
Crude oil cost increased this week, although crude oil price hikes were partially offset by the yen's appreciation against the dollar. Motouri raised their wholesale prices by 0.5 yen/l for next week for gasoline, diesel oil and kerosene. Retail gasoline and kerosene prices are expected to slightly rise next week (as of May 27).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (5/20)	Previous week (5/13)	From a week earlier	Latest high
Retail Price	Regular	150.1	150.4	▼ -0.3	08/8/4 185.1
	Kerosene	93.1	93.0	▲ 0.1	08/8/11 132.1
	Diesel oil	130.7	130.9	▼ -0.2	08/8/4 167.4

Nationwide average cash retail price
(including consumption tax)
Since April 2007, 2,000 service stations
have been covered.
Latest highs are highest levels since
October 2003.

Gasoline price trend

(2019/3/4 ~ 2019/5/20)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district.

Announcement

This report is available at the center's website (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 8 for 2019) will be announced at 14:00 on June 7.

On use of this report

The copyrights to texts, graphics and other information (hereinafter combined into "documents") in this report belong to the Oil Information Center of the Institute of Energy Economics, Japan (hereinafter referred to as this Center), or to third parties contributing the documents to this Center. This Center forbids the documents from being repurposed, duplicated or altered without approval by this Center.

This Center has made the documents comprehensive but no guarantee is made as to accuracy or safety.

Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).